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MEMORANDUM

TO: All Part D Plan Sponsors

FROM: Abby L. Block, Director

RE: Claims Filing Timeframes

DATE: May 9, 2006

With the implementation of Medicare Part D, multiple payers, payer order issues, and retroactive eligibility have created challenges for coordinating benefits among Part D plans and other providers of prescription drug coverage— challenges that have been compounded by the systems and data difficulties that arose during the initial start-up of Part D. When all payer information is available at the point-of-sale, pharmacies typically serve as the intermediary facilitating coordination between Part D plans and other payers. During the initial implementation of Part D, pharmacies often lacked the information necessary to identify the correct primary payer for Part D drugs provided to Medicare beneficiaries enrolled in Part D plans. Consequently, through no fault of their own, pharmacies often billed the State and other payers instead of a beneficiary's Part D plan.

CMS has addressed a major portion of these situations through the State-to-Plan and Plan-to-Plan reconciliation processes. The balance, however, may require resolution through claims reversal and rebilling. In their role of facilitating coordination between Part D plans and payers, some pharmacies now are agreeing to reverse these incorrect claims and bill the proper Part D plan. We believe under these circumstances it would be inappropriate for Part D plans to impose the conventional 30-90 day timely filing limits rather than a less restrictive timeframe, as this industry standard generally applies only when the pharmacy is in a position to correctly bill, but fails to do so.

In April, we posted a Q&A on the CMS website concerning claims filing limits for receipt of rebilled claims, when such claims had been originally adjudicated by payers that were not responsible for primary coverage in accordance with the CMS guidelines on coordination of benefits. In recognition that the 30-90 day standard should not apply when effective coordination between payers was not possible due to the initial Part D implementation challenges, we called upon the industry to establish appropriate claims filing rules. However, we are hearing numerous complaints from pharmacies, States and other payers that some Part D plans have not done so, as we requested. As a result, we are exercising our authority to establish requirements to ensure effective coordination between Part D plans and SPAPs and other entities providing prescription drug coverage,

and will require plans to implement a 180-day claims filing timeframe for claims incurred during the period January 1 through June 30, 2006. This 180-day window is necessary to accommodate the identification and resolution of coordination of benefits issues requiring claims reversal and rebilling to appropriate payers.

Further guidance on coordination of benefits requirements in this area for 2007 will be issued for comment in the next several weeks.

If you have any questions about this issue, please contact your account manager. Thank you for your continued assistance with the implementation of the Part D benefit.